

1812



1923

**Economic Conditions  
Governmental Finance  
United States Securities**



New York, February, 1923.

**General Business Conditions**

**T**HE trend of business in the first month of 1923 has been very satisfactory. There is no slackening of industry, and all domestic conditions give promise for a good year. Industry is about as active as it was ever known to be or can be with the present labor supply. The steel industry has its capacity pretty well sold up to the middle of the year, which is significant as to the outlook in the various lines of construction. The railroads are taking a great deal of steel, likewise the builders and automobile and implement manufacturers. House-building is headed toward another big year and office building construction now promises to go ahead of last year. Road-building will continue on about the same or larger scale, and manufacturers of cement, plaster, lumber and all building materials, furniture and furnishings are looking for a record year.

Railroad traffic is heavy and the roads are expecting to have the best year yet experienced since they were taken back from government operation. The companies are cultivating friendly relations with their men, and endeavoring to adjust wages satisfactorily by direct negotiations.

The textile industries are active under the pressure created by an upward tendency of prices. This upward tendency thus far is wholly the result of advances in raw materials. Wool is in strong position all over the world, on account of diminishing stocks, and this is particularly so of the high grades. In all countries the labor cost of making clothes has increased so much that the cost of the raw wool in a suit is a comparatively small item, and the tendency is to expend the labor cost on the best materials. This is especially so in the United States, where the new tariff is favorable to the high grades. The final ginning reports indicate that the cotton crop has fallen short of 10,000,000 bales, which emphasizes the fact already recognized that a critical situation exists in the cotton industry.

The opening of woollens in the past month for orders for next Fall delivery has established prices ranging from 12½ to 16 per

cent over those for last season, and these are accepted by the trade as justified by the higher costs. Cotton goods are 15 to 40 per cent higher than a year ago.

The prices of grains have been unfavorably affected by the strained situation in Europe. The position of the farmers is to some extent prejudiced by the advances that have occurred in the things they must buy, while with the exception of cotton, late movements in farm products have been reactionary rather than upward.

The banking situation is very comfortable, with an abundant supply of credit for all good borrowers. Rates, however, have undergone little change of late, as the outlook for demand is considered good. Business men as a rule, while exhibiting confidence, are following conservative policies and showing little inclination to become extended, which is the part of wisdom in present conditions.

**The Coal Situation**

The bituminous coal operators and miners of the central competitive field, which virtually means all the unionized territory, have come to the agreement to have no strike this year. This understanding was reached by the action of the operators in deciding to make no effort to reduce the present wage-rates—in other words by their conceding without a contest the issue over which the strike was called last year. Doubtless that was the easy way of dealing with the problem so far as the operators were concerned, and there remains only for the consumers of coal to pay the price.

Wages are now fixed on a basis which is justified upon the theory that the miners will have work approximately only two-thirds of the time. In other words, there are too many miners for the amount of coal to be mined, and inasmuch as it has been considered an undue hardship to require some of them to find other work, public sentiment has supported the doctrine that the price of coal should carry the burden of idle time.

A preliminary report of the Fact-finding Coal Commission was filed on the 15th of January, in which the Commission says that

there are "too many coal miners and too many mines," and that "there can be no permanent peace in the industry until this underlying cause of instability is removed."

It goes on to say:

There can be no satisfactory agreement as to wage rates, and no lasting peace between operators and men, unless steadier employment can be provided. There can be no satisfactory solution of our transportation problem so long as the railroads are subjected to sudden peak loads of coal traffic at the season when the demands of agriculture and industry are at their height.

All of this was well known to everybody familiar with the industry. With the revival of industry it is probable that more coal will be wanted than for the last several years, but if work is steadier the argument for the present wage-rates per ton to cover idle time will weaken, and the public should have a day in court.

The Commission having now located the seat of the difficulty in the coal business, the rest of its labors may be given to discovering why surplus coal operators and surplus miners are not eliminated from the coal industry as surplus people are from other industries. The natural economic adjustments usually take care of such situations, and it is safe to say that something interferes with the free play of natural forces in the coal industry or a natural settlement would be found. The Commission is a competent body and should produce good results.

### The European Situation

When the January number of this publication was issued the council of allied premiers was about to meet in Paris for the purpose of making another effort to agree upon a policy to be pursued toward Germany in regard to reparations. As reports were current that both Great Britain and France had reached the point of being willing to reduce the sum total of reparations to 50,000,000,000 gold marks, (about \$12,500,000,000) strong hopes were entertained that an agreement might be reached.

The British Premier presented a proposal under which Germany would issue—

(1) 1st series of bonds, to the amount of 50,000,000,000 gold marks, falling due December 31, 1954, and drawing interest at 5 per cent per annum, payable half yearly, the interest in its entirety to be suspended for four years, and to the extent of 1 per cent per annum for the next four years.

(2) 2nd series of bonds to the amount of 17,310,000,000 gold marks, being the amount of the deferred interest upon 1st series bonds as above, with interest compounded at 5 per cent to April 1, 1933, due March 31, 1965, with interest at 5 per cent, payable semi-annually.

The second series was to be issued or not, subject to the decision of the supervising authority to be created under the terms of the proposal, upon its judgment of Germany's ability to pay. It represented an effort to recover

the deferred interest if that should prove to be possible. Moreover, the same authority was to be empowered to require interest payments on the 1st series to begin in two years instead of four, if thought practicable.

The proposal carried also a scale of redemption prices at which the 1st series could be redeemed at large discounts, if Germany should be able to do so, beginning with a discount of 50 per cent upon payments made by December 31, 1923, and declining for later anticipations.

French criticism was directed strongly against these discounts, evidently upon the assumption that Germany would take advantage of them, in which case the 50,000,000,000 gold marks might be reduced to 25,000,000,000. The British Premier's idea seems to have been that it was well to encourage Germany to accept the proposal, on the chance that it might be able to take advantage of the discount. From this distance, it would seem that there was little likelihood of Germany's being able to pay the equivalent of \$6,000,000,000 before the end of 1923. If it did so, the 2nd series of bonds, probably, would be issued, which would increase the total to about \$10,000,000,000.

Another phase of the proposal that evidently was irritating to France was a provision that about \$250,000,000 of gold which France deposited in London during the war as collateral security upon its borrowings should be forthwith applied upon its indebtedness to Great Britain. It came out in the discussion that in fact this gold no longer exists in London, having been sent to the United States, as part of the remittances for purchases here before the United States entered the war. The British Premier, in considering the cancellation of a portion of the French debt, was endeavoring to provide against an obligation to recover or return this gold. The same provision was inserted as to \$100,000,000 of Italian gold, pledged in like manner.

That portion of the German bonds applicable to Belgium, but going to France on account of the latter having waived its share of early payments in favor of Belgium, to be transferred to Great Britain.

The balance of the French debt to Great Britain, (which we understand to be approximately \$2,500,000,000), to be written off.

One and one-half billions of gold marks of the German bonds (about \$375,000,000) coming to Italy to be transferred to Great Britain. The balance of the Italian debt to Great Britain, (which we understand to be approximately \$2,000,000,000), to be written off.

The British proposal included a supervisory Finance Commission and certain definite undertakings by Germany to put into force the measures of financial reform recommended by

the majority report of the financial experts invited by Germany some months ago to submit a plan.

The British proposal was not submitted to Germany, the Conference being confined to the allied premiers.

#### The French Proposals

The French proposal was that series B and C of the German bonds provided for under the agreement of 1921, and which comprise all of such obligations in excess of 50,000,000,000 gold marks, should be used in the payment of inter-allied debts, and that France would cancel her share of these bonds if the other Allies would do the same. This virtually amounted to reducing the reparations sum to the same figures named by the British Premier, excepting the discounts for early payments proposed by the latter. But the suggested discount of 50 per cent if paid in 1923, made the reparations look very small, in view of the fact that France's share would be only a little more than one-half.

After all, however, the main ground of disagreement seems to have been over the method of dealing with Germany. Although willing to grant a moratorium upon money payments, except as noted below, France insisted upon a continuance of deliveries in kind, and that meanwhile security should be provided for future payments. The security demanded was control over the forests and Ruhr mines by the Reparation Commission; collection by the Allies of the customs of the Rhineland and the Ruhr; collection by the Allies of a coal tax in the Rhineland and the Ruhr; power to demand coal exporters to pay part of the tax in foreign securities, and provision that no export licenses shall be granted until the foreign securities at present payable in respect of the existing export duty have been handed over.

The British position was that these demands would nullify the moratorium; that the payments in kind would necessitate the payments of large sums in German currency to the German contractors who furnished the commodities, and that this would embarrass the efforts to stabilize the mark. Mr. Law urged that there was no chance of receiving considerable sums from Germany until German credit was restored. He is quoted as saying:

To me it seems certain that you can, if you like, get a certain amount out of Germany, which you simply take possession of, but you cannot have both—you cannot have during the period of the moratorium amounts large enough to go any length towards satisfying the demands, the legitimate demands, and at the same time enable Germany to re-establish her credit. The Allies have got to choose between these two methods. They cannot, in my opinion, have both.

It appears that the British are more impressed than the French that the Germans are floundering amid real difficulties. The French

are of the opinion that the Germans have been "stalling" from the beginning, that their troubles are chiefly of their own making and that they never will pay anything unless summary measures are adopted.

The London Times, commenting upon the failure of the conference, says that there might have been compromise upon other matters in disagreement, but that the main difference was over the policy for dealing with Germany. It says:

Banking and financial circles are very glad that Mr. Bonar Law emphasized this point, because the predominant feeling is that there can be no settlement of the reparation problem, and that no substantial amounts of money can be obtained from Germany, until inflation is stopped, the mark stabilized, and German credit re-established. Given these conditions, default could not occur without injury to German credit. Every business man knows that the surest guarantee against default is that its effects shall recoil on the head of the defaulter.

Business men are frequently called upon to deal with cases of default. If an examination of a defaulter's position shows that he is unable to fulfill his engagements and that there is no prospect of obtaining payment except over a very long period of years, the creditors reduce the amount to a figure which the debtor can be expected to pay in a reasonable period. It is always assumed that, as a general rule, a debtor, will not work for an unduly long period to pay off debt unless there is a margin for himself, and that it is sound business to reduce debt so as to encourage the debtor to re-establish his position. It is an invariable principle in business that more can be obtained by putting a debtor on his feet than by putting him through the Bankruptcy Court, since the creditor stands to gain out of future trading profits that he has lost. Many such arrangements have been made in the past two years. Experience is constantly proving the soundness of the principle. Resort is only had to a definite liquidation when it appears certain that for various reasons a debtor cannot be put on his feet in a reasonable time, and in cases where it appears that creditors can obtain more by immediate liquidation than by revision and postponement.

#### Not a Case of Imperialism

The Germans are generally convinced that the French policy means a determination to annex territory, but the French energetically disclaim such intention, and there are plenty of reasons to justify the policy without this one. The French people suffered terribly, not merely by the devastation inevitably resulting from the movements of armies, but from wanton destruction by the Germans. They have expended enormous sums in reconstruction work, and have much more to do. Hundreds of thousands of their people are still living in shacks, and it is impossible for the masses of the people to understand why, if France can do so much, Germany should not be able to do something. The pressure of public opinion upon the French government is very strong. It is forced to make a vigorous effort to compel Germany to meet its obligations.

The French people remember that when the Germans levied the indemnity of \$1,000,000,000 upon France in 1871, the German armies were in France, and under the terms of this treaty they were to remain there until the indemnity



was fully paid. They have not forgotten their own eagerness to complete the payments in order that they might see the last of the German troops, and it is natural that they should believe that the presence of French troops in Germany may have a similar influence.

#### The Outcome

From this distance it appears that everything will depend upon the degree of moderation with which France presses her claims. The Ruhr district is vital to Germany, and even if France gets little from it, its occupation is desperately serious to Germany. The interests of both countries and of all countries call for a settlement. If France over-rates Germany's ability to pay, the results will be disastrous to both. The wisdom of her move will depend upon a quick settlement that gives her tangible benefits, and in order to accomplish these the terms must be such as to restore sound finance in Germany and stimulate all the productive forces of the country. The reparations can be paid only with the proceeds of the industries.

The situation is one of great strain and is everywhere recognized as involving the gravest possibilities in the way of further disorder, and yet, so used to crises has Europe become, that the disturbance in the markets is comparatively small. The feeling is that anything may happen, but that the authorities of Germany and leaders in industry, including the leaders of the labor organizations, will endeavor to restrict German opposition to non-compliance with French demands, which will mean a test of endurance. German foreign trade is already at a low ebb. How the country will finance its needs for imported food stuffs nobody knows, but it cannot be supposed to be as yet at the end of its resources. As a last resort it still has certain gold reserves.

#### The Austrian Situation

The Austrian monetary reform is progressing without untoward developments, no additions to the currency for Treasury purposes having been made since November 18, 1922. Dr. Benes, the Foreign Minister of Czechoslovakia, who is highly regarded throughout Europe, in a signed article in a Prague journal at the close of 1922, reviewing the political events of Europe in 1922 declared that the action of the League of Nations in devising and putting into effect the scheme for monetary reform for Austria was the one considerable reconstruction effort of the year that had had definite success.

Nevertheless, Austria is far from being through with her troubles. Although she has stopped issuing paper money to pay current

expenses, her revenues are still deficient, which compels borrowing, and the stabilization of her currency and of prices while prices in Germany and Poland are still rising affects her industries unfavorably, as has been the case of Czechoslovakia also.

#### The British Debt Settlement

The Chancellor of the British Exchequer, the Hon. Stanley Baldwin, and Mr. Montague C. Norman, Governor of the Bank of England, who came to this country about the first of the year to conduct negotiations for the refunding of the British debt to the United States Government, returned to England without closing an agreement, carrying with them terms suggested by the United States Refunding Commission. Negotiations of necessity had to take account of the fact that under the terms of our refunding act, the debt could not be extended beyond about twenty-five years, or the interest rate reduced below  $4\frac{1}{4}$  per cent. The British Commissioners hoped for much better terms than these, and the Commissioners of the United States were disposed to consider certain concessions, with the purpose of submitting them to Congress, in case they were acceptable to the British authorities.

The terms suggested by the American Commissioners were as follows: 3 per cent interest for the first 10 years, and  $3\frac{1}{2}$  per cent for the remainder of the time until the debt is fully paid, with annual payments upon the principal in round sums which will average approximately  $\frac{1}{2}$  per cent per annum upon the gross debt over the entire period. On this basis the actuarial figures work out a complete cancellation of the indebtedness in about 62 years.

The British Commissioners having exchanged views with the authorities in Washington returned home to lay the situation before the British Cabinet, which on Wednesday, January 31st, by action reported to have been unanimous, decided to accept the terms as stated above.

It will now be necessary for Congress to amend the refunding act, or pass another act specifically authorizing the settlement of the British debt upon this basis.

#### The Interest Rate

The loans to Great Britain and other countries with which this country was associated in the war were authorized by the acts of Congress carrying authority for the Liberty loans by which the funds were raised in the public market, and by their terms were to bear the same rate of interest as the Liberty bonds and mature at the same dates. These Liberty bonds bear  $4\frac{1}{4}$  per cent interest and

fall due in about 25 years, but they may be paid or refunded much earlier. The maturities of these bonds are shown below:

U. S. Liberty 1st 4½ s. .... June 15, 1947 optional 1932  
 U. S. Liberty 2nd 4½ s. .... Nov. 15, 1942 optional 1927  
 U. S. Liberty 3rd 4½ s. .... Sept. 15, 1928  
 U. S. Liberty 4th 4½ s. .... Oct. 15, 1938 optional 1933

These maturities have bearing in considering the proposed terms for the settlement, because it is quite probable that these issues will be refunded at interest rates below 4½ per cent. Our outstanding bonds not covered by the foreign indebtedness to us, approximately \$13,000,000,000, are being retired by sinking fund, at the rate of 2½ per cent per annum, which will retire them all in about 23½ years. This reduction in the amount will tend to strengthen the market price, and lower the interest rate in refunding operations. Before the war, the United States Panama 3 per cent, a straight investment bond without the currency privilege, sold up to about 103. It is possible therefore that the terms proposed will be found approximately to cover the outlay of this government, for interest upon the corresponding amount of this debt as contemplated when the loans were made, and our Commissioners doubtless took the refunding possibilities into account.

At present the debt is in the form of temporary obligations, bearing 5 per cent interest, but it is understood that in the settlement the rate upon these may be reduced to 4¼ per cent.

#### British Expectations

The British Commissioners and public opinion in Great Britain undoubtedly hoped for still better terms, such as 2½ per cent, or that interest for some years might be waived, pending world recovery to more normal economic conditions. The London Times, discussing the subject after the American terms had been made public and pending a decision upon them, expressed what no doubt has been the common view in British financial circles.

The case for a modest rate of interest on the British debt is stronger on moral than on financial grounds. The money we borrowed was spent at a time when prices were high, and the American Government received back a large proportion of it in taxes. Moreover, money rates over a long period will show a tendency to fall. Further, we have offered and are prepared to treat our own debtors generously, and as these are also America's debtors, any writing off of debts that we may indulge in will accrue to her advantage as well as to the advantage of the debtors, since the less we take the more will the United States be able to obtain.

Nevertheless, British sentiment has never wavered on the proposition that the debt must be squarely met and paid, to the satisfaction of the United States. The promptness with which the momentous decision was made shows how fixed is the British habit to pay, and how jealously it guards its financial honor.

#### Beneficial Effects

The fact that a settlement of this question between the United States and Great Britain has been amicably affected is of great constructive importance and will be so regarded throughout the world. It will be appreciated in this country that Great Britain has been influenced by a very strong desire to maintain the best of relations with the United States. It is well known, on the other hand, that many people in this country would have been glad to have had the terms made easier, but that was impracticable. The settlement takes out of the way one possible international complication, and must have an influence for the adjustment of the other disagreements which are distracting the world.

#### The Other Debts

This will be the first settlement in the list of the foreign government debts to this country, a fact, however which must not be interpreted to the discredit of the other debtors, none of whom have the financial strength of Great Britain.

The French government sent M. Parmenier as Commissioner to this country last summer. He simply laid the financial condition of France before the American Commissioners, explaining that in these circumstances and until the French government knew what it would receive from Germany, it would not be in position to make definite engagements, and would prefer to have the debt stand in its existing form. In other words, France acknowledged the debt, hoped and expected to pay some time, but did not want to say more. It is bad enough to be unable to pay; a sensitive debtor does not want to be writing new promises to pay at specified dates without knowledge of how such promises can be kept.

#### Similar to Reparations Payments

The difficulties to be surmounted in dealing with all this indebtedness running to the United States Government are for the most part identical with those which attend upon the collection of reparations from Germany by the allied countries. The public constantly thinks of the debts as we are accustomed to think of indebtedness running from one individual to another in the same country, when in fact the conditions are very different.

The government of a country has no means of paying its debts except by levying taxes, and there are limits beyond which tax levies yield diminishing instead of increasing returns. If it attempts to spread taxation directly over the whole people to an extent which lowers the standard of living, it certainly will meet with resistance, probably resulting in a change of administration and policy. Even if the creditor government should go into the debtor

country and attempt to levy general taxes upon the population, the attempt would be a failure. On the other hand, if taxes are directed only at the wealth of the debtor country, the effect will be to diminish the supply of working capital, which cannot be done without affecting industry unfavorably, causing unemployment, curtailing production—in the long run reducing revenues, rather than increasing them.

#### **Debts Must Be Paid in Goods**

Furthermore, there remains the particular difficulties that attend upon attempts to pay great sums from one country to another in a different money. Germany collects its revenues in the paper mark-currency, but cannot pay reparations in that currency; and so Great Britain, France, Italy, Belgium and each of our other debtors collect its revenues in its own paper currency, none of which is acceptable in payments to the United States. The United States must be paid in its own money. There are only two ways for the creditor countries to get United States money, and one of these is available to only a moderate extent. They can ship gold here, 25.8 grains standard fineness to the dollar, which will be accepted at the Treasury, because at that rate it can be converted into United States coin, but none of them have gold to spare. The other method is by selling goods in this country, and thus creating bank credits here which will be available for payments.

The point is made that they need not send goods of their own production; they can export their own products to South America or elsewhere, and use the proceeds to pay for goods shipped from those countries to the United States. This, however, does not dispose of the difficulties. We are already getting about all the goods we need from these other countries, and paying for them largely with our own products. The real difficulty is that such unusual commodity movements are bound to be a new and disturbing element in the world situation, affecting all trade relations.

It would simplify international payments if people would get in the habit of thinking of them in terms of goods—commodities—instead of in terms of money. Final payments between countries are in the commodities of commerce.

#### **International Settlements**

It follows that natural trade settles itself. It consists of give and take—an exchange of commodities and services. We never could have created an indebtedness of \$10,000,000,000 in our favor in two years of normal trade. It is an abnormal situation, resulting from the war, which created an imperative demand for

our products at very high prices and at the same time made it impossible for the buying countries to sell even the usual quantities of their products to us.

The reparations obligation is of the same class, a great obligation suddenly created, without the debtor having received anything that increases his ability to pay. The debtor countries are called upon to produce an amount of commodities sufficient to cancel these obligations, in addition to what they must produce to supply their own current needs, including exports in trade for their necessary imports. The debtor countries must either produce more or reduce their own consumption in order to have goods to spare.

#### **Government Control Over Production and Consumption**

Unfortunately, production and consumption are largely beyond the control of governments. The wage-working class all over the world has been moved in this very period when the need for increased production is greater than ever before to demand a reduction of hours of labor, so that 8 hours now generally constitutes a day's work in Europe. This affects the ability of all countries to produce goods in excess of the habitual consumption of the population. It has been estimated by some economists that the difference between 8 hours and 10 hours daily production by the industries of Germany would in a year about equal the amount of annual reparation payments demanded.

It is impracticable, however, for governments to compel their people to work 10 hours per day if they are determined only to work 8, or to compel them to economize in expenditures, except by the indirect method of increasing taxation, and as already said this is impracticable when applied to the main body of the population, because it can change the government. The people of the United States could pay the much-discussed soldiers' bonus by assenting to a general sales tax, and save enough to pay the tax by abstaining from the consumption of numerous unnecessary things, such as cigarettes, drinks of various kinds, chewing gum, cosmetics, candy, etc., but they don't want to, and there is no practicable method of taxation that will eliminate the unnecessary consumption. The powers of governments in this respect are limited.

#### **Difficulties That Arise from Commodity Payments**

Furthermore, even if the debtor country is able by increasing production and decreasing consumption to largely increase the supply of commodities which may be exported to apply on the foreign obligation, there are difficulties to be dealt with. What goods do the creditor countries want—what goods can they use?



Theoretically, economists say that there is no danger of any country having too much wealth, and that is true in a broad sense, but it depends upon a general, proportional increase of all kinds of wealth. We know that it is possible to have too much corn or cotton. Generally speaking, the productive capacity of the world in various lines is pretty closely adjusted to ordinary consumptive demands, and any development that throws the industrial situation out of balance disorganizes the whole business world.

Now we are confronted with a situation in which certain countries are required to deliver extraordinary quantities of goods to other countries. They can only deliver goods which they have the resources or facilities for producing, and if these goods are of a class which come in competition with the regular production of the debtor countries the latter do not want them, because not much more than the usual quantities of any line of commercial goods can be absorbed. An influx of more would prostrate the home industries.

And so it is that we have seen the Congress of the United States, although unquestionably in favor of collecting this foreign indebtedness to the last dollar, enact a tariff law intended to reduce the importations of foreign goods, or at least of that class which come into competition with home production. Moreover, this country is not the only one to take such action; the unsettled state of trade and the currencies have caused many countries to erect new tariff barriers with the purpose of controlling importations. Moreover, a believer in free trade upon general principles may object to the disturbance likely to be caused by extraordinary importations.

#### A Disturbing Influence

To sum up briefly, these payments, both of reparations and of indebtedness, must be made in the commodities of commerce, and their delivery presents problems very different from those presented by the ordinary growth of balanced trade from one year to another, or one decade to another. There is presented a great one-sided transaction—a flood of goods one way, without corresponding movement of goods in exchange. It is evident that such movements have in them great possibilities of mischief in causing the derangement of regular, established industry. Stability, regularity, are essential conditions of prosperous business. A year of such industrial depression as we had in 1921 costs this country more than the sum total of this indebtedness.

The French people in thinking of reparations have been thinking quite naturally of receiving money, with which they could pay the expenses of the reconstruction work, so sadly needed, but it is out of the question for

Germany to pay in that way. Unfortunately nearly three years passed before the idea of reparations in kind began to take shape, and there are difficulties about this on a large scale, as when Germany is obliged to import coal from England for her own industries to make good the coal sent to France. We do not question the obligation, but there arises the question of what she shall export to pay England for the coal, and to what extent England or the United States or any other country will receive exports from Germany in order that France may receive reparations. It is a highly complicated problem, not settled by agreeing that Germany ought to pay. And the payments to the United States are subject to precisely the same difficulties.

#### Effects Upon Exchange Rates

It is safe to say that most of the people of this country who have been insisting that our government take steps forthwith to make collections upon the indebtedness running to it, and even ready to appropriate the funds in advance for specific purposes, as the soldiers' bonus, are thinking of such payments as the French people have been thinking of reparation payments, as due and payable in cash. They cannot be collected in that form. Even if the debtor governments were able to collect the necessary revenues from their people, there still would remain the problem how to convert the available sums into money of the United States. The very attempt to convert such sums into our money in the exchange markets under existing conditions would cause exchange rates on this country to rise in all the markets of the world, and this would interfere with the sale of American products in all foreign markets. It would not take very much of a reduction in the value of a year's exports to cancel the year's interest on the debts.

One of the comments made by the London press has been that in agreeing to pay the debt in United States money, the British government is obligating itself to pay any premium which it may command over British currency. The debt was created here and of course it is payable in this country and in our money, but the fact that the efforts to convert British money into United States money will of themselves tend to send the latter to a premium, to the disadvantage of both countries, is a factor to be considered.

It is not strange that the French and British governments should hesitate over the definite and final terms of settlement. The truth is that they do not know all that is involved, nor do we. Neither side can calculate just how the payments are to be accomplished, or foresee all the effects. It is perfectly certain that at least the concessions suggested by the

United States Commission are advisable from our own standpoint. As already stated, they probably involve no reduction in the long run from the amount of interest that will be paid by this government upon its own obligations.

#### **A Problem for the Future**

We believe it to be true that the people of this country are not convinced of the necessity of cancelling any part of the foreign indebtedness, and there is the same justification for their attitude that there is for the misgivings of the debtor governments about entering into more specific agreements. The justification on both sides is that none can foresee what the future has in store. The debts of England one hundred years ago seemed at the time to be of crushing weight, but the development of industry soon made them of negligible importance. Very likely that will be true again. And who knows what future wars may come? Would it be well to raise the presumption that debts created in war time will not be paid? And finally what effect will the additional taxation have on the standard of living of the debtor countries and what will be the effect of such payments upon the export and import trade and industries of the United States?

It would be well in many respects if the subject could be dealt with in a tentative way, at least until the trade of the world is back on an even keel, but on the other hand, there are reasons for desiring to eliminate as many factors of uncertainty as possible. The debtor countries naturally do not view postponement as any great favor with interest piling up at the rate of 5 per cent or even 4 per cent annually. Even at the lower rate it would mean doubling the debt in 25 years, and 25 years is not very long in the affairs of nations.

#### **An International Conference**

Unquestionably there is an important body of opinion in this country in favor of our going farther, for the sake of achieving a general settlement, than Congress apparently is ready to go. Sentiment in favor of calling an international conference finds frequent expression in different parts of the country, but it is useless for this government to invite a conference unless it is ready to share in the concessions which such a conference will inevitably propose. A conference is a place for reciprocal concessions. Our plea that the debts to the United States have no relation to the reparations may be convincing to us, but the truth is that it carries conviction nowhere else. It may be logically faultless, but it is not psychologically persuasive. France says that unless she collects important sums from Germany she cannot pay the United States; how then can she reduce her claims upon

Germany? At a conference such questions must be answered face to face, and if we have no answer that aids in the settlement we had better stay out of the conference.

#### **Interests of the United States**

The fact is that the United States is interested in its own behalf in having the European situation cleared up. The growing support in the West and in Congress for proposals to finance the exportation of our products with Government credit affords proof of this. Nobody has ventured as yet to suggest that the New York bankers are behind this move, although it might be claimed with as much truth as that they have been behind a propaganda for cancellation in order to improve the standing of foreign bonds in their own possession. In the first place the New York bankers have conducted no agitation for cancellation. In the second place, investment bankers buy bonds as merchant-distributors, to sell again, and must sell in order to continue buying. New York bankers hold no foreign bonds of any consequence. The agricultural districts have a more direct interest in the foreign situation than New York bankers have, for the latter will be affected only as the general prosperity of the country is affected.

#### **Credit for Farmers**

While Washington is engaged in creating new organizations to provide credit for farmers it is interesting to note that in Iowa during the past two years work has been under way for the organization of a corporation for that purpose, and that within the past year it has begun business. That its plans are ambitious appears from the fact that the authorized capital is \$5,000,000. Enough has been subscribed and paid in to begin operations on a scale ample for the present.

It is noteworthy that all of the services which the pending measures in Congress are intended to render can be rendered by this Iowa Farm Credit Corporation at Des Moines under its charter, and it has been organized for this purpose. The stock has been distributed over the State among bankers and farmers, the conception being to establish a corporation able to give practical aid to agriculture in Iowa, owned and directed by the bankers and farmers, acting in a cooperative spirit.

There are many reasons why such organizations established in all the states, would be more serviceable than the proposed national organizations can be. In the first place it is very desirable to have the stockholders of the corporation scattered over the territory served, and in the second place it is a fine thing to have the bankers and farmers cooperating in the management. The great-



est conceivable benefits would result from having the local bankers over the state generally interested in aiding the corporation to the greatest possible practical usefulness.

Finally, it is highly desirable that in developing all the facilities required for the most effective social and industrial organization we should rely so far as possible upon the initiative and public spirit of our people themselves, instead of looking to Washington for leadership and management. Social efficiency develops with the spirit of local sufficiency and enterprise.

All such organizations should be close to the people who use them. It would be better to have emulation among the states in such matters, with freedom of initiative and experiment, than direction of everything from headquarters. The proposed national organizations, providing for further issues of tax-exempt bonds are calculated to discourage such spontaneous efforts as this illustrated by the Iowa Farm Credit Corporation.

### The Bond Market

The first month of the year developed some of the most important pieces of financing offered to the public in many weeks, with industrials leading in volume. The largest piece of industrial business which has been presented to American investors is \$150,000,000 Anaconda Copper Mining Company—\$100,000,000 First Consolidated Mortgage 6 per cent Bonds and \$50,000,000 Fifteen Year 7 per cent Convertible Debentures. These issues were quickly absorbed, as were also \$60,000,000 Armour and Co. 7 per cent Preferred Stock and \$50,000,000 Armour and Co. Twenty Year First Mortgage 5½s. Another feature of the January bond market was the offering of \$50,000,000 Republic of Cuba External 5½s, due January 1, 1953, to yield about 5.55 per cent, and other important industrial issues were as follows:

\$25,000,000	Bethlehem Steel Corporation Consolidated Mortgage Thirty Year Sinking Fund 5½ per cent Gold Bonds.
10,000,000	Republic Iron and Steel Company Refunding and General Mortgage Sinking Fund Thirty Year 5½ per cent Gold Bonds, Series A.
7,500,000	American Cotton Fabric Corporation 7 per cent Cumulative Preferred Stock.
7,000,000	American Rolling Mills Fifteen Year 6 per cent Notes.
6,000,000	Pressed Steel Car Company Ten Year 5 per cent Convertible Gold Bonds.
4,000,000	Columbia Steel Corporation Fifteen Year First Mortgage 7 per cent Gold Bonds.

On January 9th the Secretary of the Treasury offered \$300,000,000 4½ per cent. Treasury Notes, dated January 15, 1923, maturing December 15, 1927, with the right reserved to allot additional notes to the extent that Victory 4½s or unregistered War Savings Certificates are tendered in payment. It is esti-

mated that the total subscriptions for this issue aggregated approximately \$500,000,000. On January 4th, \$75,000,000 Federal Land Bank 4½ per cent Bonds due 1943 were offered and total subscriptions were received aggregating approximately \$125,000,000.

### Books on Economics

The prevalence of Bolshevistic propaganda, written and spoken, is producing its antidote in the form of numerous books dealing with economic subjects, many of them written by business men who have been prompted by the alarming growth of radical agitation not only to study our industrial society but to discuss the phases of it that are under attack. It is an encouraging symptom, for it shows that there is a general awakening to the danger that threatens in the flood of misrepresentation and half-baked social theories that is being poured out over the country, and because these business men are writing with a first-hand knowledge of practical affairs which enables them to present sound economic principles with convincing effect.

#### **American Individualism**

A little book under the above title by Herbert Hoover has been issued from the press of Doubleday, Page & Co. It is full of his wholesome optimism, which takes account of the social conditions which admittedly are unsatisfactory, but offsets against them the conditions and tendencies which afford abundant ground for hopefulness. It is the gospel of true democracy, not mobocracy, but of orderly progress under the leadership of men sprung from the common ranks. The following is a sample:

The pioneers of our American individualism had the good sense not to reward Washington and Jefferson and Hamilton with hereditary dukedoms and fixtures in landed estates, as Great Britain rewarded Marlborough and Nelson. Otherwise our American fields of opportunity would have been clogged with long generations inheriting their fathers' privileges without their fathers' capacity for service.

That our system has avoided the establishment and domination of class has a significant proof in the present Administration in Washington. Of the twelve men comprising the President, Vice-President, and Cabinet, nine have earned their own way in life without economic inheritance, and eight of them started with manual labor. \* \* \*

If we examine the impulses that carry us forward, none is so potent for progress as the yearning for individual self-expression, the desire for creation of something. Perhaps the greatest human happiness flows from personal achievement. Here lies the great urge of the constructive instinct of mankind. But it can only thrive in a society where the individual has liberty and stimulation to achievement. Nor does the community progress except through its participation in these multitudes of achievements.

Furthermore, the maintenance of productivity and the advancement of the things of the spirit depend upon the ever-renewed supply from the mass of those who can rise to leadership. Our social, economic, and intellectual progress is almost solely dependent upon the creative minds of those individuals with imaginative and administrative intelligence who create or who carry discoveries to widespread application. No race possesses more than a small percentage of these minds in a single generation. But

little thought has ever been given to our racial dependency upon them. Nor that our progress is in so large a measure due to the fact that with our increased means of communication these rare individuals are today able to spread their influence over so enlarged a number of lesser capable minds as to have increased their potency a million-fold. In truth, the vastly greater productivity of the world with actually less physical labor is due to the wider spread of their influence through the discovery of these facilities. And they can arise solely through the selection that comes from the free-running mills of competition. They must be free to rise from the mass; they must be given the attraction of premiums to effort.

#### The A B C's of Business

Mr. Henry S. McKee, vice-president of the Merchants National Bank of Los Angeles, is the author of a small volume which for literary quality and lucid presentation of economic principles as far as it goes is worthy of high praise. "The A B C's of Business,"\* "The Character of Our Business Organization," "Wages and Wealth," "Misunderstanding of Money," "Elements of Banking," "Speculators and Markets," "Business Consequences of the War," "Internationalism" and "Education" are chapter headings which indicate the practical character of the work. The following extract is a sample of the style and argument:

What is the economic function of the capitalist in our industrial system? He cannot personally consume much of the country's goods. He eats and wears probably a little more than the rest of us. He wastes the services of a man or two in driving a car for his pleasure and beautifying his garden; also the services of a couple of women to prepare his food and keep his house in extra nice order. A little more wealth would perhaps be produced and we would all be richer if the man waited upon himself and released these employees to become producers on farms or in other creative industry. That, however, is nearly the limit of his wrongdoing. In that way he may obtain possession of, and use up, a little more than one person's share of the forty or fifty billion dollars' worth of goods and services that we all (including him) united in producing. That is about as far as Nature makes it possible for him to go, and most of his vast income is still unspent. It may be that this man ought to live after the style of a penitent monk and make his life a drab and cheerless period of frugality and self-denial. The rest of the world would be a little richer by the saving of what he wastes.

But even in the very heaping upon him of this enviable abundance of enjoyment and benefits, it seems that Nature has served a beneficent purpose. Desire for these very things, kept alive by the daily reminder that they are within reach of the successful, is the main force that drives forward human progress. If it were the custom for the successful to live on a meager diet in dark tenements, ten million eager young American men, whose promised achievement is the sole hope of our future, would turn their backs upon all thoughts of success and embrace idleness. In view of these things, it is rather remarkable that some legislature has not repealed this law of Nature. As a people, we would be likely to carry at the polls by an overwhelming majority a referendum prescribing hovels and rags for the successful and forbidding enjoyment except as the reward of failure.

The capitalist is the fruit of our industrial experience. He is the only contrivance, except the savings bank and the insurance company, by the use of which we have succeeded in accumulating much capital; and it is only by obtaining and using capital that we have risen out of the cave and wigwam. It has been proved that the only way we, as a people, can save

enough capital to insure the continuance of our industrial life is to put so much income into the hands of one man that he cannot consume or destroy it, and thus cannot help saving it. After saving it there is no place it can go except into industry. In this way we get it saved, which is the important thing to America as a whole. Just who saves it does not matter much. Saved and employed in productive industry, it serves all of us about equally well, no matter who owns it.

#### An Engineer in Economics

The engineers, as might be expected, are making a splendid contribution to the discussion of industrial problems. It is natural for an engineer to place the emphasis where it belongs, to-wit, upon the importance of increasing the sum of the goods of which society is in need. Mr. Malcolm C. Rorty, educated and trained as an engineer, now President of the National Bureau of Economic Research, Inc., and Assistant Vice-President of the American Telephone and Telegraph Company, has written an illuminating little book to which he has given the title, "Some Problems in Current Economics."† It sketches industrial history, describes the industrial system and shows how gains steadily accrue to the entire working population by improvements in the organization and equipment of industry. Daily wages of carpenters and masons in England between 1766 and 1800 averaged little more than the price of one-third of a bushel of wheat, and even so late as 1855 in this country the average skilled worker's wage would buy less than one-third as much wheat as today. Mr. Rorty says:

The difference lies almost wholly in the mechanical and scientific developments that have taken place—better railways, and greater railway mileage, telephones and telegraphs, improved machinery, and new industrial processes of a thousand kinds.

Political parties may come and go. Theories of reform may wax and wane. But day by day, in thousands of laboratories, in the minds of thousands of inventors, in the workshops of thousands of mills and factories, these constant additions to human productivity go on.

Careful studies have shown that in the United States the annual production of useful goods increases with remarkable steadiness at a rate between 3 and 4 per cent per annum—while the population increase at the rate of only 2 per cent.

High interest rates, shortened working hours, and the losses in productive efficiency that have come as the aftermath of the war, may for a time check this progress, and may retard the normal steady increase in real wages, as measured by purchasing power. Increased governmental expenditures will also have their influence. In spite of all theories and devices to the contrary, the bulk of the burden of taxation falls in the end upon consumption, and shows up finally in higher prices, higher rents, and higher cost of living. During periods of growing taxation increases in real wages may not, therefore, be revealed by the unusual indices of purchasing power. These may stand still or decline, while the added national productivity is absorbed in improved highways, education, and sanitation, in enlarged national armaments and military expenditures, and in many other forms of productive and unproductive governmental activity.

Unrecognized changes in the character of goods and services are a further factor tending to obscure the

\*The A B C's of Business, by Henry S. McKee, published by the Macmillan Company, New York.

†Some Problems in Economics, by M. C. Rorty, M. E., E. E., published by A. W. Shaw Company, New York.

normal increase in real wages. The quart of milk which is pasteurized and delivered in a sanitary glass jar is not the same article as the quart of milk, plus assorted bacteria, that used to be ladled from the farmer's milk can. The yeast cake ordered by telephone and delivered by automobile is a different yeast cake from that which used to come home in the housewife's market basket. Housing laws have made five rooms in a modern tenement a different thing from five rooms in the old-style rookery.

Yet, in spite of all these influences tending to hold back both actual and apparent increases in real wages, the normal annual gain in productive efficiency is so great that it must reassert itself sooner or later in tangible improvements in standards of living. Closely related to this steady gain in human comfort lies the often debated, but fundamentally sound, theory that labor, under conditions of free competition, is the "residuary legatee" and, as such, received, in the end, all the gains from new machinery except a living wage for the new capital invested.

The basis for this theory is simple. Each manufacturer in a competitive field who puts in a new machine, or introduces a new process, does so because he expects to make a saving greater than the interest charges on his added investment. He hopes to retain, and for a time may retain, the entire excess as his own added profit. But, in the end, his competitors will imitate him, and, when this imitation takes place, prices will be reduced to a point where the new investment earns only a normal rate of return and the balance of the gain is passed along to the consuming public.

The most vital interest of the ordinary worker, and of every consumer, lies in maintaining this steady building up of productive machinery. It happens that this development has taken place in the past without increasing the relative share of capital in the output. But it is of comparatively little importance what these relative shares may be, provided only the purchasing power of the worker's wages steadily increases.

#### Views of Another Engineer

We have referred heretofore to the book written by Walter R. Ingalls, a well-known mining engineer, as one of the best discussions of income distribution to be had.\* Mr. Ingalls represents the American Engineering Council upon the Board of Directors of the National Bureau of Economic Research, Inc., and he has used to some extent the results of the Bureau's investigation of income in the United States, but he gives further calculations of his own, and he goes much farther in drawing conclusions than the Bureau, in its strictly limited functions as a fact-finding organization can properly undertake to go. He gives a quotation from General Francis A. Walker, one of the ablest economists this country ever produced, a former president of the Massachusetts Institute of Technology, which is pertinent to Mr. Rorty's reference to labor as the "residuary legatee," of all industrial progress. Mr. Ingalls says:

There is a prevalent fallacy that the national income is a definite thing, out of which the rich and strong first help themselves and take the lion's share. Among the labor leaders the unfortunate idea that increase in the number of men on a job and inefficiency are beneficial to labor as a whole is merely a variation of this fallacy. The truth is overlooked that the produce of industry is the result of work and that people can get only what they earn. In other words labor pays its own wages.

\*Wealth and Income of the American People, by Walter Renton Ingalls; published by G. H. Merline Company, York, Pa.

Rents, interest, profits and taxes being deducted from the produce of industry all the rest goes to the laborers. "So far as by their energy in work their economy in the use of materials, or their care in dealing with the finished product, the value of that product is increased," says General Walker, "that increase goes to them by purely natural laws, provided only competition be full and free. Every invention in mechanics, every discovery in the chemical art, inures directly and immediately to their benefit, except so far as a limited monopoly may be created by law for the encouragement of invention and discovery."

This is an expression of a great economic truth in the abstract, but we are able to show and to say a good deal more than that, to wit, that during the last hundred years of great industrial development the major part of the benefit has accrued to labor. It was the theory of Karl Marx, from whose teachings are derived so many of the fallacies of the present time, that labor, in its narrowest sense, produces everything, and therefore that labor should have all that it produces. In fact it gets all that it produces and besides that a good deal of what other people produce. If labor were left to itself this would be a pauper world, like Russia now. So long as the world was dependent upon mere man-power there was no very great advance in the wealth of nations beyond what was due to increase in population. There is no good reason to believe that an Englishman in the reign of George IV can carry any more weight per hour or for any more hours, or exhibit any other superiority of physical power, than an Englishman in the time of William the Conqueror. The great increase in production has happened during the last century and a quarter and has not been because men have grown any stronger; but because mind has taught labor how to become more effective and has provided it with machines and with organization. Three men now operate a locomotive that does the work of 10,000 men. It is the inventive and organizing minds that have produced the great increase in wealth and to the possessors of those minds might reasonably have accrued all that they earned, but the economic principle that labor is the residual claimant prevented any such result, even if it were desired.

#### Bank Credit and Agriculture\*

This is a comprehensive work, describing the special requirements of the farmers for bank credit and the present facilities at their service. It gives a sketch of conditions under the national banking system and the state systems before the establishment of the Federal Reserve system, and gives all the information available as to the accommodations extended to farmers by the reserve banks. It describes quite fully the conditions during the credit strain which accompanied the fall of prices in 1920 and 1921 and discusses them instructively. It is an exhaustive work on agricultural credit, the appendix containing an account of foreign rural credit systems.

#### An Experiment in Education

Antioch College, located at Yellow Springs, near Dayton, Ohio, is one of the old colleges of the country, having been founded in 1853 by that distinguished educator, Horace Mann. It has had an honorable career along conventional lines, but under new management in the last two years it has struck out into a new

\*Bank Credit and Agriculture, by Professor Ivan Wright, in charge of agricultural economics, College of Commerce and Business Administration, University of Illinois. Published by the McGraw-Hill Book Company.



field, with what Dr. Charles W. Eliot has called "the most interesting enterprise in education now going on in our country."

The new management at Antioch is headed by a business man who has made a distinguished success of his career, Mr. Arthur E. Morgan, widely known as engineer of several of the largest flood control projects in this country, such as the Miami Conservancy Project in Ohio. He has reorganized the board of trustees, the faculty curriculum and policies of the institution, with the result that he has introduced a pronounced innovation in educational training.

The interest that Mr. Morgan has succeeded in arousing by his plans is indicated by the list of men who have accepted membership on his board of trustees. Among them are:

Edwin F. Gay, editor of the New York Evening Post, formerly head of the Harvard Graduate School of Business; F. A. Vanderbilt, New York; Jerome D. Greene, of Lee, Higginson & Co., an overseer of Harvard; Henry S. Dennison, president of the Dennison Manufacturing Company, Framingham, Mass.; Ellery Sedgwick, editor of the Atlantic Monthly; William Mayo, Detroit, chief engineer of the Ford industries; C. F. Kettering, Dayton, chief engineer of the General Motors Company; Gordon S. Rentzler, Hamilton, manufacturer; George M. Verity, Middletown, Ohio, president of the American Rolling Mills Company; F. C. Caldwell, head of the department of electrical engineering, Ohio State University, and other well-known Ohio men.

In the course of his professional work Mr. Morgan has employed about 2,000 college graduates, and for twenty years has observed how college training has failed or succeeded in preparing them for life. He believes that the programs of both our liberal colleges and our technical schools give an incomplete training for modern life in the complex economic and social system of today.

#### Work Combined With Study

The fundamental aim of the Antioch Plan is a well-proportioned training, to include the development of all the qualities which make for well-rounded personality and effective living. In a six-year program, required cultural studies covering a broad range are combined with courses in the technique of administration in industrial, commercial and professional fields. The students spend half of their time in such study, and half in paid employment in appropriate occupations. Study and work alternate in five-week periods. Each job is held by a pair of students, who alternate between study and work in five-week shifts. The object of this part-time work is not primarily self-support, valuable as that is in training for economic independence. The more important object is the development, through self-imposed discipline in real situations, of qualities not given attention in our educational programs, but developed by "self-made" men—qualities such as courage, initiative, the sense

of responsibility, and the ability to measure one's powers. The practical work is co-ordinated with the courses in business administration. Each student has six yearly opportunities to determine by actual experience the calling for which he is best fitted. The vocational objective selected by Antioch is administration, or proprietorship. It is meeting the national need of training generalists rather than specialists—that is, executives or coordinators.

#### Aims to Make College as Well as Students Self-supporting

One of Mr. Morgan's important aims is that the College itself, as well as its undergraduates, shall be self-supporting—either completely, or in the largest degree compatible with quality in educational service rendered. As Dr. Eliot says, "This element of the plan would affect very much, if it should work out successfully, the whole method of supporting high schools and colleges by taxation. The whole method of endowment of education would be much affected, of course."

#### Training for Administration

As to the vocational objective, many men believe that administrative ability is born and not made; that while schools may train specialists, they cannot develop those peculiar abilities of initiative, co-ordination, and management necessary to the successful business man. But business administration is developing highly specialized methods, and native executive ability and the apprenticeship of business experience are no longer sufficient equipment for the executive. Cost analysis has gone beyond the realm of bookkeeping. Labor relations are no longer merely a matter of hiring and firing. Industrial research—the habit of examining one's business to determine what products may become obsolete, what new fields offer opportunities, what methods of production may be improved—cannot longer be limited to the chance improvements suggested by employees or to the casual bright ideas of the executive.

So, in the fields of purchasing, of publicity, of distribution, of administrative organization, the fund of organized knowledge and experience has become so great and so important that the executive who does not take advantage of it may be outclassed.

More and more the administrator demands the services of specialists in cost analysis, labor relations, industrial research, market analysis, and similar problems. But the specialist tends so to concentrate on his own field that he cannot see his special work in its relation to the whole. That process of seeing things in all their relationships is the peculiar function of the executive. He must judge and

appraise the experts; he must co-ordinate all parts of his organization. This final responsibility he cannot escape. He must and does exercise it, whether badly or well. Executives sometimes fail because they themselves are too much inclined to be specialists, exaggerating the importance of one element and ignoring others equally important.

#### **Breadth of Culture**

During recent years the need for training executives to be all-round men, with the knowledge of modern business methods necessary to intelligent judgment in the various fields in which they must exercise authority, has concerned both executives and educators. The result is the development of our modern schools of business. In the operation of these schools two outstanding weaknesses have developed. First, schoolroom teaching of business methods leaves out of consideration many practical factors. It does not train one to judge men's motives, to resist the dictates of over-enthusiasm, to hold one's own against aggressive and skillful salesmanship, to estimate the indefinite and unforeseen factors in situations. Such qualities are developed primarily by experience. The second criticism, which applies to undergraduate schools of business, is that the student so concentrates his attention upon business principles that he fails to get a liberal education, and on graduating has a narrow outlook. A few years later the liberal college man frequently runs ahead of him in business.

The Antioch program looks first to developing in young men and women those qualities and abilities which are universally desirable, regardless of the calling one is to follow. Thus the physical development of the student, to a point where he or she is sound, and able to stand the stress of modern life, is made a matter of first importance. The essentials of a liberal college education are demanded of every student, so that he will be not simply a producing machine, but will have the breeding and cultural background that will make him an all-round citizen and an acceptable associate for men and women of versatile interests.

#### **Alternating Study and Business**

Antioch recognizes that much of one's preparation for life must come from practical experience. So Antioch students spend only half time at school, and the other half at practical work away from college, in periods of five weeks, each job being held by two students who alternate with each other. Some students have businesses of their own, being storekeepers, contractors, or insurance agents; others work in banks, factories, stores and offices, with about seventy-five firms. The student learns

responsibility. Perhaps for the first time in his life, he must make good on a real job. He learns how to get on with people, how much effort is required to accomplish his purposes, how unexpected problems arise in practice that never appeared in text books. In short, he serves an apprenticeship with real life. His work is varied so that he can have experience with different phases of commerce and industry.

Though the students largely support themselves, the money saved is not so important as the training in responsibility, in self-reliance, in initiative, and in the discovery and development of their other personal powers.

#### **Antioch's Aims**

The attitude of the typical Antioch graduate, in whatever field he may work, will be that of generalist, administrator or co-ordinator, rather than that of technical specialist. The business administration courses at the college, given by men of practical experience, cover those phases of industry in which the executive continually exercises judgment, such as accounting, cost analysis, administrative organization, employment relations, publicity, salesmanship, and industrial research. Antioch students plan to fill administrative positions in many fields, including banking, engineering, newspaper management, manufacturing, and merchandising; and they get practical work as well as theoretical training in those fields.

Naturally some students, even though most carefully selected, prove unfitted for management, just as many men who take law courses never practice law. Effort is made to identify these, and to direct them to suitable callings. Some find themselves in accounting, selling, or employment relations work, for which their aptitudes have been discovered by their college courses and by their working experience. Others turn to such fields as engineering, law, or medicine. Many women students tend toward home or institutional management. The college is thus a vocation-finding institution, as well as a place for training executives.

The executive or proprietor is not necessarily a man of large affairs. In fact, America has millions of proprietors. The farmer must decide his own economic policies, the general merchant is ultimate judge of his affairs, the garage keeper, the real estate operator, the banker, the manufacturer, the wholesaler, all are executives or proprietors. We have many schools for specialists, but very few to prepare the generalist, upon whom the successful operation of an undertaking finally must rest.

A century ago nearly all engineers were self-taught men. Since then engineering schools have created a great new profession

that has revolutionized our methods of living. Today comparatively few executives in small organizations are skilled in modern business methods. Antioch is undertaking to make available to future business executives, large or small, the same thoroughness of training that in the case of the engineer created a great profession. To give our future executives the essentials of a liberal education, while bringing to them a knowledge of the present highly developed technique of business administration, and at the same time giving them apprenticeship on real jobs, is worth the five or six years required for the Antioch course.

### NATIONAL DEBTS

#### *A Showing of Them at the Beginning and Close of the War and at the Present Time*

Tabulations showing the national indebtedness of sixty-five countries and colonies of the world at the beginning and end of the war and at the present time are presented herewith. They indicate that the habit of debt creation which was necessarily stimulated in all parts of the world during the war still continues, though in most cases the speed of that development has been materially retarded. Of the sixty-five countries and colonies for which the debt figures are herewith presented, a mere half dozen show actual reductions in the latest year for which figures are available as com-

pared with the year immediately preceding, though in a large proportion of the countries the increase during the last year is small as compared with that during the war and the two years following its termination.

In a few of the countries of Central Europe, however, expenditures are permitted to greatly exceed the sums collected from taxation, and the deficits thus created have necessarily increased the national debt, this addition by the government to its nominal indebtedness being made in most cases by borrowing from its great bank of issue which is given practically unlimited authority to print paper currency which it loans to the government upon its treasury obligations, and in these countries the term "trillion" begins to make its appearance in the debt and currency statements.

The startling decreases which have occurred in the past year in the exchange value of the currencies of certain countries seem to render advisable the abandonment of the plan utilized in earlier years of transforming the debts of the respective countries into United States dollars with the purpose of obtaining a uniform basis for an aggregation of world debts. As a consequence of the impracticability of safely transforming these various currencies at various periods into the equivalent in United States dollars, the debt tables herewith presented covering conditions at the beginning and close of the war and present time are presented in the currencies of the respective countries.

### NATIONAL DEBTS OF EUROPE, 1913 TO 1922

#### In Currencies of the Respective Countries

By O. P. Austin, Statistician, The National City Bank of New York

	Unit of currency	1913	1918	1919	1921	1922
Austria-Hungary..	crown	5,158,000,000	5,950,000,000c	.....	.....	.....
Austria .....	crown	7,313,000,000	78,100,000,000	83,278,000,000	169,893,000,000	1,437,568,000,000n
Hungary .....	crown	6,587,000,000	40,000,000,000	54,200,000,000	54,453,000,000g	.....
Belgium .....	franc	3,739,000,000	10,337,000,000f	10,337,000,000	33,927,000,000	36,493,000,000
Bulgaria .....	lev	912,000,000b	3,342,000,000d	7,420,000,000	6,634,000,000	6,836,000,000
Czecho-Slovakia...	crown	.....	.....	6,300,000,000	28,500,000,000g	44,712,000,000
Denmark .....	krone	356,639,000	408,000,000	779,000,000	1,064,000,000	1,169,000,000
Finland .....	frn mark	8,075,000	662,196,000f	662,196,000	1,996,075,000	1,826,000,000
France .....	franc	32,881,000,000	115,166,000,000	154,471,000,000	301,510,000,000	316,984,988,000
Germany .....	mark	5,017,000,000	116,120,000,000	161,100,000,000	248,848,000,000	1,559,000,000,000
Greece .....	drachma	1,071,000,000	2,431,000,000f	2,431,000,000	4,150,000,000	4,750,000,000
Italy .....	lire	15,137,000,000	43,414,000,000	69,500,000,000	72,974,000,000g	113,203,000,000
Jugo-Slavia .....	dinar	654,100,000	.....	3,564,000,000h	3,564,000,000	3,200,000,000
Netherlands .....	florin	1,140,000,000b	1,600,171,000	2,441,000,000	2,502,100,000	2,735,600,000
Norway .....	kroner	362,700,000	736,000,000	1,008,100,000	1,220,570,000	1,312,000,000
Poland .....	mark	.....	.....	6,117,000,000	302,000,000,000	455,000,000,000 i
Portugal .....	£	41,694,000	37,480,000	36,287,000g	35,831,000	.....
Rumania .....	escudo	384,300,000	153,600,000	1,113,000,000	1,862,000,000	.....
Russia .....	leu	1,640,000,000	4,876,000,000	21,400,000,000	30,311,000,000	.....
Rumania .....	ruble	8,846,000,000	44,000,000,000d	.....	.....	.....
Spain .....	peseta	9,793,000,000	8,611,000,000	10,288,000,000	11,992,000,000	14,050,000,000
Sweden .....	krona	602,000,000	1,086,200,000f	1,086,300,000	1,270,400,000	1,526,000,000
Switzerland .....	franc	122,500,000a	1,065,000,000	1,662,000,000g	1,738,000,000	2,083,000,000k
Turkey .....	£T	126,100,000	454,000,000	465,673,000	no data	400,000,000q
United Kingdom..	£	716,288,000	5,899,000,000	7,460,000,000	7,016,000,000	7,831,000,000

a 1912 b 1914 c 1915 d 1917 e 1918 f 1919 g 1920 h 1921 k Dec. 31, 1921  
l Loans from Polish National Bank plus foreign debt. q Statement of Turkish Delegation at Lausanne, Dec. 1922.

n Austrian Exchequer bonds in Austrian Bank plus pre-war debt.  
Dec. 7, 1922.



## NATIONAL DEBTS—ASIA AND OCEANIA

	Unit of Currency	1913	1918	1919	1921	1922
Australia .....	£	277,100,000	284,100,000	325,784,000	401,720,000	416,000,000
Ceylon .....	£	6,130,000	5,252,000	5,006,000	4,767,000	no data
China .....	Dollars (a)	969,000,000	1,061,000,000b	1,886,000,000	no data	1,450,000,000
Dutch East Indies .....	Guilders	no data	237,100,000	426,508,000	446,868,000	(e)
Hong Kong .....	£	1,486,000	no data	1,485,000	1,485,000	no data
India, Brit. ....	£	303,680,000	456,294,000	464,887,000c	465,200,000	474,020,000
Japan .....	Yen	2,484,000,000	2,492,000,000	2,601,000,000	3,426,000,000	3,562,000,000
New Zealand .....	£	87,457,000	176,176,000	201,171,000	206,324,000	217,100,000
Philippines .....	Dollars	12,000,000	20,000,000	20,300,000	29,411,000	44,212,000
Siam .....	£	6,257,000	6,627,000	6,633,900	7,312,000	no data
Straits Settlements .....	£	6,913,000	14,232,000	14,535,000	16,295,000	no data

a silver dollars

b 1916

c March 1920

e The Gazette de Holland of Oct. 11, 1922, states that the debt of the Dutch East Indies will at the end of 1922 total 1,274,000,000 guilders, of which 550,000,000 is floating.

## NATIONAL DEBTS—AFRICA

	Unit of Curr'cy	1913	1918	1919	1921	1922
Congo, Belgian.....	Francs	278,000,000a	no data	349,847,000	350,100,000	no data
Egypt .....	£	94,350,000	94,710,000	93,388,000	92,791,000	94,787,000
Nigeria .....	£	8,267,000	8,471,000	11,997,000	10,246,000	no data
Union So. Africa....	£	117,769,000	159,200,000	160,437,000	178,607,000	no data

a 1912

## NATIONAL DEBTS—NORTH AMERICA

	Unit of Curr'cy	1913	1918	1919	1921	1922
Canada .....	Dollars	483,000,000	1,863,000,000	2,250,000,000	2,345,000,000	2,390,000,000
Costa Rica .....	Francs	no data	34,100,000	31,000,000	33,921,000	no data
.....	£	13,524,000	5,487,000	4,736,000	6,126,000	no data
Cuba .....	Dollars	67,000,000	83,000,000	84,000,000	87,000,000	141,000,000
Dominican Republic .....	Dollars	13,000,000	14,000,000	13,000,000	13,000,000a	no data
Guatemala .....	Dollars	no data	136,800,000	no data	135,899,000	no data
.....	£	2,357,000b	2,301,000	no data	2,260,000a	no data
Haiti .....	Dollars	30,000,000	24,000,000	32,000,000	24,000,000	17,871,000
Honduras .....	Pesos	6,125,000	no data	3,447,000	3,555,000a	no data
.....	£	24,363,969c	no data	27,261,000	27,725,000	no data
Jamaica .....	£	3,843,000	3,772,000	3,915,000	4,012,000	no data
.....	Pesos	134,764,000	no data	138,796,000	136,800,000	no data
Mexico .....	£	35,527,000	no data	69,792,000	74,839,000	no data
Newfoundland .....	Dollars	27,000,000	35,000,000	42,000,000	43,000,000	no data
.....	Pesos	10,000,000	no data	10,000,000	no data	no data
Nicaragua .....	£	1,191,500	no data	1,174,950	951,420	no data
Panama .....	Dollars	no data	7,000,000	7,000,000	3,000,000	no data
Salvador .....	Dollars (d)	27,925,000	no data	£986,800	£3,655,000a	no data
United States .....	Dollars	1,029,000,000	17,005,000,000	25,334,000,000	23,922,000,000	22,665,000,000

a 1920

b Exclusive of internal debt

c Of which £18,925,000 is arrears of internal

d Silver

## NATIONAL DEBTS—SOUTH AMERICA

	Unit of Curr'cy	1913	1918	1919	1921	1922
Argentina .....	Paper Pesos	1,207,950,000	1,313,200,000	1,285,600,000	no data	1,603,000,000
Bolivia .....	Bolivianos	49,750,000	67,500,000	68,869,000	68,616,000	no data
.....	Milreis	685,000,000	no data	1,042,000,000	1,729,000,000b	no data
Brazil .....	Franc	299,000,000	no data	322,250,000	322,250,000b	no data
.....	£	81,448,000	no data	103,292,000	103,095,000b	no data
Chile .....	Gold Pesos	160,000,000c	165,000,000	no data	b95,150,000d	59,720,000e
.....	£	33,912,000c	31,044,000	no data	b28,351,000	35,830,000
Colombia .....	Gold Pesos	4,598,000a	no data	4,500,000	2,848,000g	no data
.....	£	2,487,000a	no data	3,766,000	3,887,000	no data
Ecuador .....	£	4,479,000	5,292,600	5,620,792	6,148,000b	(n)
Paraguay .....	£	2,204,000a	1,727,000h	1,747,000	1,964,000b	no data
Peru .....	£	4,891,000	5,802,000	6,088,701k	7,837,724	no data
Uruguay .....	Pesos	136,300,000c	158,875,000	168,100,000	172,200,000	no data
Venezuela .....	Bolivars	180,560,000	145,827,000	138,366,000	131,627,000b	124,790,000m

a 1912

b Dec. 31, 1920

c 1914

d Paper pesos

e U. S. Dollars

g Exclusive of 11,000,000 pesos floating debt

h Also 27,000,000 paper pesos internal

k June 30, 1920

m December 31, 1921

n On December 31, 1921, 65,235,000 sucres

# FIRST NATIONAL BANK

## IN MINNEAPOLIS

MAIN OFFICE  
FIFTH STREET AND MARQUETTE AVENUE

### OFFICERS:

F. M. Prince, Chairman Executive Committee		F. A. Chamberlain, Chairman Bd. of Directors	
C. T. Jaffray, President			
J. S. Pomeroy . . . .	Vice-President	John G. Maclean . . . .	Asst. Cashier
H. A. Willoughby . . . .	Vice-President	Walter A. Meacham . . . .	Asst. Cashier
P. J. Leeman . . . .	Vice-President	C. B. Brombach . . . .	Asst. Cashier
Geo. A. Lyon . . . .	Vice-President	J. A. Murphy . . . .	Asst. Cashier
J. G. Byam . . . .	Vice-President	J. Clayton . . . .	Asst. Cashier
E. E. Blackley . . . .	Vice-President	L. W. Scholes . . . .	Asst. Cashier
Fred Spafford . . . .	Vice-President	C. Woods Smith . . . .	Asst. Cashier
Stanley H. Bezoier . . . .	Cashier	W. A. Volkmann . . . .	Asst. Cashier
K. M. Morrison . . . .	Comptroller		

### SAINT ANTHONY FALLS OFFICE 328 EAST HENNEPIN AVENUE

JOSEPH E. WARE, Vice President	WM. E. NEUDECK, Assistant Cashier
SAMUEL E. FOREST, Vice President	CHARLES A. PALMER, Assistant Cashier
CHARLES L. CAMPBELL, Assistant Vice President	EDWIN W. WISTRAND, Assistant Cashier

### NORTH SIDE OFFICE WASHINGTON AND PLYMOUTH AVENUES

W. H. DAHN, Vice President	F. R. SLEAVIN, Assistant Cashier
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### MINNEHAHA OFFICE

2826 EAST TWENTY-FIFTH STREET

G. W. LALONE, Assistant Vice President	ARVID LUND, Assistant Cashier
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### WEST BROADWAY OFFICE WEST BROADWAY AT EMERSON

W. H. DAHN, Vice-President

**CAPITAL AND SURPLUS - \$10,000,000**

**MINNEAPOLIS TRUST COMPANY**  
115 South Fifth Street

The stockholders of the First National Bank and  
Minneapolis Trust Company are identical

